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March 18, 2013

Mr. Nelson H. Koyanagi, Jr., Acting Director
Department of Budget and Fiscal Services
530 South King Street, Room 208
Honolulu, Hawaii 96813

Dear Acting Director Koyanagi, Jr.,

Subject: **BUDGET COMMUNICATION NO. 10**
Request for Clarification of Transfer Related to the Housing Development
Special Fund

On October 11, 2012, the City Council approved Resolution 12-228, FD1, which approved the sale of the leases of twelve affordable housing projects to Honolulu Affordable Housing Partners (HAHP). Under the terms of the sale, HAHP will pay the City an up-front lump-sum acquisition lease rent payment of \$142 million.

In Mayor's Message 116 (2012), the administration stated:

Proceeds remaining after the repayment of the City's CDBG program will be deposited into the Housing Development Special Fund (HDSF) to retire the outstanding debt obligations. The City must also repay the Off-Street Parking fund in the amount of \$393,000 and the Highway Improvement Bond Fund in the amount of \$15,000. Surplus funds remaining thereafter may be appropriated through the annual budget process.

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In the fiscal year 2014 operating budget, the Housing Development Special Fund is to receive \$98,592,000 from the sale of the affordable housing project. On page 16 of Bill 11 (2013), \$72,592,000 is being transferred from the Housing Development Special Fund to the General Improvement Bond Fund. Please respond to the following questions regarding this transfer:

1. How much outstanding debt remains for the twelve affordable housing projects? Please specify the amount of the outstanding debt for general obligation bonds and for any other types of financing.
2. Please provide the projected debt service for the outstanding debt for the financing for the project.
3. Please explain what the \$72,592,000 proposed to be transferred from the Housing Development Special Fund to the General Improvement Bond Fund will be used for and why such a transfer is necessary. Additionally, please explain why the City is making the proposed transfer rather than transferring monies from the Housing Development Special Fund to the General Fund to retire the existing debt.
4. If this type of transfer is the appropriate way to reimburse the General Improvement Bond Fund, then why is there no proposal to transfer \$15,000 to the Highway Improvement Bond Fund?
5. Mayor's Message 116 (2012) makes reference to a \$393,000 reimbursement to the Off-Street Parking Fund. No such fund has been created by charter or ordinance. Please identify which fund should be reimbursed for the \$393,000 and whether the administration is going to propose such a transfer.

Thank you for your assistance with this matter. Please provide all information requested no later than March 27, 2013. If there is any additional information needed, please do not hesitate to contact me at 768-5005.

Sincerely,



ANN H. KOBAYASHI, Chair
Committee on Budget

cc: Ms. Ember L. Shinn, Managing Director